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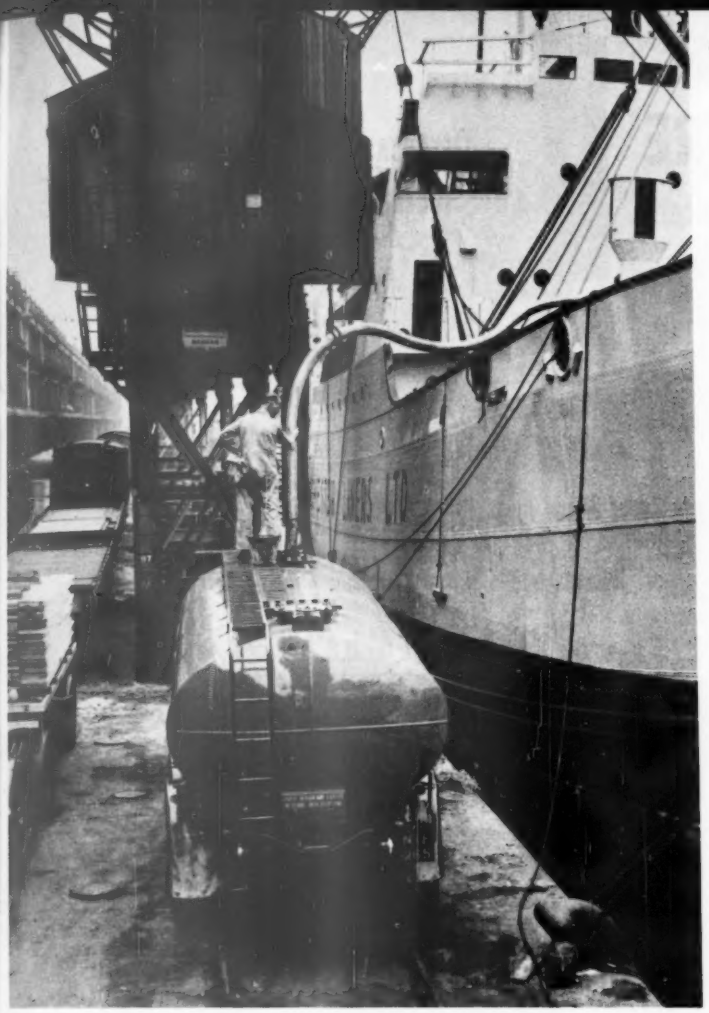

THE GOLD COVER—AND AGRICULTURAL TRADE

LIVELY EXPORT DEMAND FOR U.S. TALLOW AND GREASE

FOREIGN MARKET FOR TOBACCO

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FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

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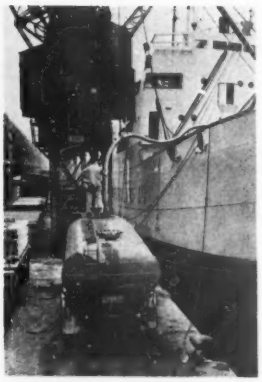

U.S. lard is pumped out of ship at Liverpool into tank truck for delivery direct to packing plant. Exports account for a big share of U.S. tallow and grease output. Article, page 5.

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Orville L. Freeman, Secretary of Agriculture

Dorothy H. Jacobson, Assistant Secretary for International Affairs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

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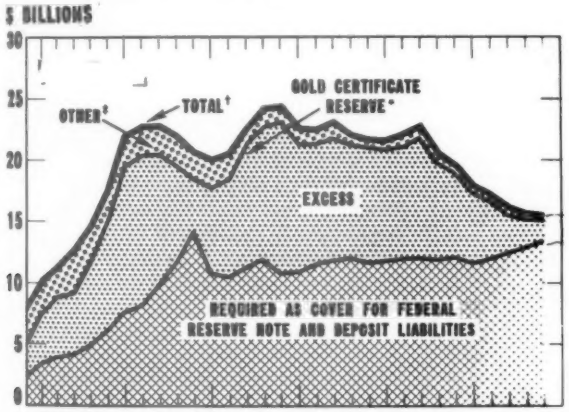
THE GOLD COVER —and agricultural trade

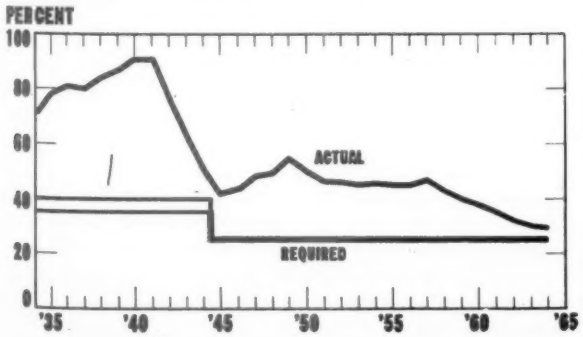
The size and use of gold reserves in big trading nations like the United States can be important to world trade in farm products.

By McGEHEE H. SPEARS
Development and Trade Analysis Division
Economic Research Service

GOLD COVER AND RESERVE



RATIO OF GOLD CERTIFICATES TO FEDERAL RESERVE LIABILITIES



U.S. agriculture has a big stake in recent international monetary developments. These are highlighted by Britain's sterling crisis, the announcement that France intends to convert fairly large amounts of its official dollar holdings into gold in 1965 and subsequent years, and problems involving the U.S. gold cover requirement against Federal Reserve notes and deposit liabilities. Agriculture's interest in this is obvious. The dollar and the pound as well as gold are used throughout the world to settle international transactions. The management and availability of these monetary reserves can affect the volume and direction of the world's trade in agricultural products.

This relationship between reserves and trade was demonstrated last year when the Soviet Union urgently needed imports of wheat. The Russians obtained 65 million bushels of their wheat import requirements from the United States, paying private American exporters for their purchases with $140 million—in dollars—realized through sales of gold from Soviet reserves. Gold sales in Free World markets were necessary to obtain these dollars.

Problems from shortage of exchange

Inadequate reserves, on the other hand, can mean constricted trade, as Europe found in the years following World War II. Although Europe would have liked to buy more food and fiber from the United States, the crying need was for goods needed in reconstruction, such as machinery, equipment, and raw materials. To conserve limited exchange, Europe hiked import levies and curtailed imports of farm products and other goods with quantitative restrictions of one kind or another. Reconstruction completed, this part of the world again became a major participant in world trade.

Now, 20 years later, one of the world's big trading nations again has exchange problems. Early in the last quarter of 1964 the flight of short-term funds out of the United Kingdom drove the sterling-dollar rate to the support level of $2.7825 (parity is $2.80). Pressure against sterling was caused in part by a recurring balance-of-payments problem, particularly when merchandise imports exceeded exports by a wide margin. Other contributing factors were uncertainties surrounding the British elections, the change in Russian leadership, and rumors of the possible devaluation of the British pound.

What the British did about it

Britain immediately took action to bolster the pound in the exchange markets and to correct its balance-of-payments problem. A temporary 15-percent import surcharge on all merchandise imports except foodstuffs, unmanufactured tobacco, and basic raw materials was imposed. The Bank of England's discount rate was raised from 5 to 7 percent. Tax changes were proposed to stimulate the domestic economy. Financial assistance was obtained from 11 countries including the United States and from the International Monetary Fund. These measures enabled the pound to weather several periods of strain without further depleting British exchange reserves. But the pound has not completely recovered to the strong position it held during the earlier part of 1964.

Current exchange and balance-of-payment problems

demonstrate again the close economic interrelationships in a trading world. What happens in one country is felt elsewhere and very rapidly, often calling for immediate countermeasures. For example, the British decision to raise the discount rate from 5 to 7 percent was designed to attract foreign investment funds—including dollars. But the U.S. Federal Reserve Board, though sympathetic to British problems, wished to avoid any sudden shift of short-term investment funds which would throw the U.S. payments position still further out of balance. As an offsetting action the Board raised the U.S. discount rate from 3½ to 4 percent and boosted maximum permissive rates of interest payable by commercial banks on time deposits and certificates of deposits. By narrowing the margin between the U.S. and U.K. rates, the Board made British investment less attractive to Americans and to foreign holders of dollars in the United States.

Focus on U.S. gold problems

Today, widespread attention has shifted to the U.S. monetary gold reserve. Although the United States holds close to 40 percent of the Free World's gold supply or $15.6 billion as of September 30, 1964, not all this gold is available to cover the outstanding dollar claims of foreign holders: $26 billion. Two related questions arise: Will a heavy "run" occur on our gold reserves through the presentation of dollar claims for settlement in gold? In view of our gold cover requirements—25 percent against both Federal Reserve notes and deposits in the 12 Federal Reserve Banks—can we assure foreign holders of dollar claims that the Nation stands ready to release sufficient gold to settle its international obligations in gold on demand?

Dollars claims and the gold outflow

In reply to the first question it should be noted that only dollar claims of foreign governments and their central banks, over $15 billion, may be used to purchase gold from the United States. Dollar claims held by foreign private banks and individuals or dollars held by U.S. residents themselves, an additional $11 billion, are not an immediate threat to our gold stock until sold to foreign central banks for other currencies. Foreign governments and their central banks have been cooperative in holding more dollar claims, thus reducing dollar-to-gold conversions in the last 2 years. U.S. balance-of-payments deficits in 1963 and 1964 were financed by a much smaller drain of our monetary gold. U.S. gold reserves increased by $47 million the first three quarters of 1964. But an outflow of gold in the last quarter will probably result in reducing gold stocks by about $125 million for the year. In 1963 gold reserves dropped $461 million and for the period 1960 through 1962, the average annual gold outflow was $1.1 billion.

Widespread conversion unlikely

Because the U.S. dollar is held and used throughout the world in settling international transactions at a time when world trade is at an alltime high, the need for dollars makes conversion of all foreign dollar claims into gold highly unlikely. But conversion would be well above the average of recent years. France, one example, has indicated its intentions of converting $150 million to gold in early 1965 for the purpose of bringing its international reserves up to about 75 percent in gold. France held dollar claims totaling $1.5 billion as of September 30, 1964.

The second question relates to the availability of U.S. gold for settling international transactions: U.S. gold reserves at the end of September 1964 totaled $15.6 billion, against dollar liabilities of foreign governments and their central banks totaling over $15 billion.

But of the $15.6 billion in total reserves, about $13.0 billion was required to meet the statutory 25-percent minimum gold "cover"; that is, backing of Federal Reserve notes and deposits in the 12 Federal Reserve Banks. In other words, in September only $2.6 billion in gold was available to meet foreign liabilities of $15 billion—and by the end of December only $1.8 billion.

Gold cover thinner

We have dipped rather close to the 25-percent level, too. The ratio of the gold certificate reserve to Federal Reserve notes and deposits was 28 percent at the end of 1964—as compared with 30 percent on the same date in 1963; 37 percent in 1962; and 46 percent in 1957.

With only a small share of our monetary gold available to cover maximum foreign dollar claims, an increase in dollar-to-gold conversions in an appreciable magnitude could reduce our available gold reserves to an uncomfortable level; and the President in his economic message January 28 asked for an end to the gold reserve requirement on Federal Reserve deposits. The requirement was last reduced on notes and deposits by the Gold Reserve Act of 1945, to the present 25-percent minimum.

Most foreign countries get along without a minimum gold reserve requirement. In Europe only two countries— Belgium and Switzerland—require central banks to maintain a minimum gold cover. The Netherlands has a minimum gold and foreign exchange cover requirement but no fixed proportion in gold is necessary.

World interest and world aid

All these developments highlight the interdependence of the world community and the need for seeking multilateral solutions to international trade and financial problems. Multilateral solutions are being sought. For example, trade and financial cooperation among countries belonging to the Organization for Economic Cooperation and Development is playing an important role in reducing the U.S. payments imbalance. Cooperative efforts include measures to reduce and offset large U.S. military expenditures abroad; European countries' efforts to improve their capital markets; continuing efforts to modify restrictions on multilateral trade; coordination of economic assistance to developing nations; agreement among 10 OECD countries that they will lend their currencies to the International Monetary Fund to insure the availability of adequate amounts should any of these countries experience payments difficulties which would impair the international payments system; and U.S. intervention in foreign exchange markets to protect the value of the dollar.

The stake of agriculture in this is obvious. The value of world trade in agricultural products now totals over $30 billion. U.S. agricultural exports in the fiscal year 1965 are expected to approach the record $6.1-billion level reached in 1964. The growth of agricultural trade—our own as well as that of other countries—unquestionably has been aided by the economic stability that has come about through the cooperative efforts of nations and multinational organizations to solve international financial problems.

Lively Export Demand Keeps U.S. Tallow and Grease Sales Rising

The U.S. tallow industry, after just finishing a year of record-breaking tallow exports, appears to be moving into an even better export season.

Shipments of U.S. tallow and grease during 1965 are expected to at least equal the record 2.4 billion pounds estimated to have been exported in 1964; and, paradoxically, U.S. prices are forecast to be the highest in years—perhaps 2 cents per pound above the average for 1964. Precipitating this unusual situation is the shortage this year of other fats and oils in the face of an ever-increasing demand.

If realized, the gain in 1965 will extend the long upward movement of U.S. tallow and grease exports. In 1950-52, exports averaged only 766 million pounds, whereas the total for 1964 was as much as the entire production in that earlier 1950-52 period.

U.S. largest exporter

Today, the United States accounts for around 75 percent of world tallow and grease exports, shipping out over half its domestic production against only 33 percent in 1950-52. Furthermore, it counts tallow as the largest of its livestock and meat product exports as well as a good dollar earner (90 percent of 1964 shipments went for dollars).

The strong foreign demand, in turn, has prevented a decline in tallow prices, which could have been caused by the sharp increases in production coupled with a slowly rising domestic consumption.

The European Economic Community is the largest market for U.S. tallow exports, accounting for 26 percent of total shipments in the first 11 months of 1964. Japan is next with 18 percent. Exports to both Japan and the EEC have risen in line with the increase in total U.S. exports, but their market share has declined in recent years, as the portion going to the developing countries in Asia, Eastern Europe, and Africa has increased.

The Asian share (other than Japan's) rose from 7 percent in 1956-60 to 12 percent in the first 11 months of 1964, while that of the USSR and Eastern Europe climbed from 5 percent to 12 percent. Growth of exports to Asia and to Africa has been in large part due to the programing of tallow and grease under Public Law 480. Shipments under this program totaled 289 million pounds last year compared with 317 million in 1963.

Prices up in 1964

Besides being a year of large exports, 1964 was also one of rising prices. The price for prime tallow rose by 50 percent between January and December 1964. Prices dipped slightly during early 1965, but they are expected to average about 2 cents per pound higher in 1965 than in the previous year.

Prices of tallow have become more and more dependent upon foreign demand, as domestic use has risen more slowly than production, and larger amounts have moved into export.

U.S. output of tallow and grease rose from 2.1 billion pounds in 1949 to slightly less than 4.4 billion in 1964, paralleling the increase in livestock slaughter. Forecasts of future livestock slaughter indicate that production of tallow will exceed 5.1 billion pounds by 1970.

While exports almost tripled between 1952 and 1963, domestic disappearance rose much more slowly, increasing from about 1.5 billion pounds to about 2 billion. The total share of production going into domestic usage dropped during that time from 67 percent to 51 percent, and in 1964 it fell below 50 percent.

The decline in this country's usings occurred largely because of the takeover of much of the domestic laundry soap market by synthetic detergents, with the result that the soap industry accounted for only 35 percent of the domestic tallow market in 1961-63 against 70 percent in 1950-52. This downtrend appears to have slowed, and the market share for soap may edge back up in coming years.

Animal feeds best outlet

Much of the loss in the soap industry's market has been offset by gains in the animal feed industry, which in 1964 is estimated to have taken 800 million pounds against nothing in 1950-52. The mixed feed industry currently uses tallow mainly in high-energy poultry feed; however, high-efficiency hog feed may also be developed on a wide scale. It is estimated that the domestic feed industry will consume about 1.4 billion pounds of tallow by 1970.

Another important and growing domestic use of tallow is in the manufacture of fatty acids. Some predictions are that this outlet, which currently accounts for about one-fourth of domestic use, could exceed that for soap by 1970.

U.S. EXPORTS OF TALLOW AND GREASE [1]

Country	Average 1956-60	1961	1962	1963	1964 (11 mo.)
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
EEC	637	572	535	540	587
Other West Europe	81	128	145	212	225
USSR & East Europe	72	292	137	135	256
South America	51	77	87	83	159
Africa	127	123	138	186	244
Japan	259	402	268	358	410
Other Asia	96	145	215	270	263
North America	113	75	80	95	99
Total	1,436	1,814	1,604	1,879	2,243

[1] Excludes animal oils, oleic acid, and stearic acid.

U.S. TALLOW SHIPMENTS UNDER PUBLIC LAW 480

Country	1962	1963	1964 [1]
	Mil. lb.	*Mil. lb.*	*Mil. lb.*
Title I:			
Egypt	50.1	101.9	74.5
Pakistan	28.4	52.2	54.0
Turkey	32.8	45.7	66.8
China, Taiwan	20.9	40.6	24.7
Korea	24.7	34.6	35.9
Greece	---	---	3.8
Israel	---	5.1	---
Poland	27.4	---	---
Guinea	---	---	1.6
Ivory Coast	---	---	5.6
Total	184.3	[2]280.1	266.9
Title IV:			
Colombia	1.7	2.1	---
Ecuador	---	8.7	.3
Yugoslavia	---	26.1	---
China, Taiwan	---	---	22.0
Total	1.7	36.9	22.3
Grand total	[2]186.0	317.0	289.2

[1] Preliminary. [2] Revised.

Note: Distribution of P.L. 480 shipments by time period are all subject to adjustment due to a time lag between actual shipment and recording in FAS.

A Look Ahead at

The FOREIGN MARKET for U.S. TOBACCO

U.S. exports of unmanufactured tobacco in the fiscal year ending June 30, 1965, are likely to total about 485 million pounds compared with the 8-year high of 532 million for 1963-64. Most of the drop is likely to occur in exports of flue-cured tobacco, the principal export class.

The expected decline in exports this year may be caused by a combination of factors: (1) Large supplies of competitive tobaccos available in other producing countries, generally at lower prices than those for U.S. tobaccos; (2) some buildup in stocks of U.S. leaf abroad during 1963-64; and (3) stepped-up production of filter-tipped cigarettes, which usually require less tobacco than regular cigarettes.

Additionally, there has been considerable publicity in some important markets abroad concerning the smoking vs. health controversy. This has tended to retard expansion in cigarette manufacture in those countries and consequently is reducing manufacturers' purchases of leaf to some extent.

Some limitations ahead

What about the years following 1965?

World cigarette consumption is expected to continue upward, following the trend of the postwar period. The U.S. tobacco trade should share in the rising world requirements of leaf needed to make the increasing number of cigarettes smoked, but other factors are likely to limit the extent of U.S. participation in the larger world market for tobacco.

First, the U.S. tobacco grower and exporter can expect increasingly severe competition from other tobacco-producing countries whose governments, to earn foreign exchange, will probably push tobacco export sales to the maximum extent possible. Second, tobacco-importing countries are certain to purchase their leaf requirements from areas which can provide the maximum quantities of acceptable-quality tobaccos at the most reasonable prices. And third, as in the past, trade barriers of various sorts, both tariff and nontariff, will place U.S. leaf tobacco at a disadvantage, in many instances, vis-a-vis other leaf moving in world trade.

For many years, the U.S. share in the Free World tobacco export trade has been declining—from an average of 38 percent in 1950-54 to 35 percent in 1955-59, and further to 28 percent in 1962. There was some recovery to 30 percent in 1963, mainly because of a decline in supplies available in Turkey—one of the world's major exporters. Now preliminary indications are that the U.S. share dropped again in 1964—possibly to a point a little under the 28 percent we had in 1962.

(During the period 1962-64, Free World exports in each year ranged between 1,650 and 1,700 million pounds. This compares with averages of 1,250 million pounds for 1950-54 and 1,430 million for 1955-59.)

Competition strong for flue-cured

The trend in competitive supplies is a key factor affecting the U.S. export trade in tobacco. The world market for tobacco is not limitless, and strong and successful efforts have been made by major producing countries to raise larger tobacco crops, mainly for export. This has been particularly significant in the case of flue-cured tobacco, the most important kind of leaf entering world trade.

In 1964, the world harvest of flue-cured leaf totaled nearly 3.6 billion pounds—a new record—up about 7 percent from the previous 1963 high. Record 1964 crops were harvested in Rhodesia, India, Japan, and Australia. The Canadian harvest in 1964 was down about a fourth from 1963 because of sharply reduced acreages.

Combined crops of flue-cured in Rhodesia, Zambia (formerly Northern Rhodesia), and Malawi (formerly Nyasaland) totaled 327 million pounds—up 64 percent from the 199 million for 1963. Auction prices for Rhodesian leaf in 1964 averaged the equivalent of 30 U.S. cents per pound—18 cents below those for the short 1963 crop. This further widened the price advantage already held by Rhodesia in the medium and low grades of leaf in demand in certain European markets where price is an all-important factor in leaf purchases.

Rhodesia has announced a voluntary production control plan to reduce the crops of growers selling in the Salisbury auctions so that 1965 production will total 252.3 million pounds. Even so, quantities available to world markets from the 1965 crop would exceed those of any crop except the record one of 1964.

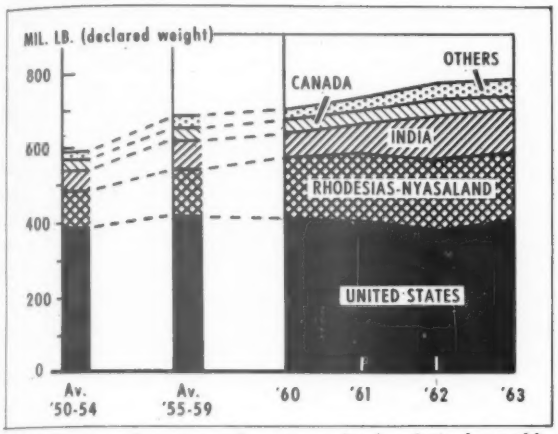
Inroads made in U.S. markets

Rhodesia in recent years has enjoyed booming sales of flue-cured leaf—not only to the United Kingdom, but to countries in continental Europe, like West Germany and the Netherlands, as well as to Hong Kong, Malaysia, and Japan. All of these countries are important markets for U.S. flue-cured, and any inroads that have been made or will be made in these markets from the record supplies available from 1964 production will doubtless affect the level of U.S. trade with the same markets.

Rhodesian leaf, as well as Canadian and Indian, has certain advantages over U.S. leaf in the export trade. Aside from the quality advantage which has enabled the United States to maintain its preeminent place in world flue-cured trade, most other factors are advantageous to our competitors.

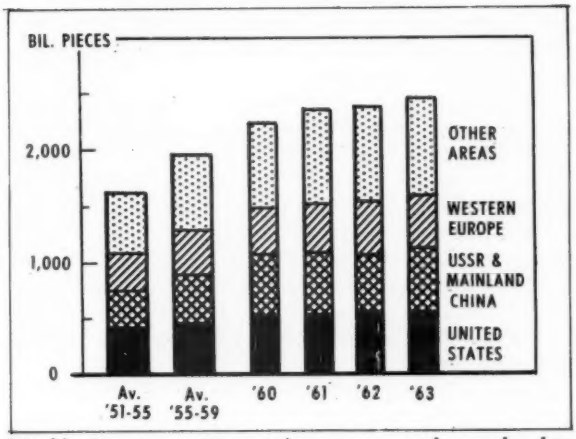
Rhodesia, Canada, and India, as members of the British Commonwealth, enjoy a 21½-cent-per-pound tariff advantage in the important British market. Besides, Rhodesia has a purchase arrangement with British tobacco manufacturers, virtually assuring Rhodesian growers an annual market in the United Kingdom of at least 100 million pounds. This, together with the preferential tariff, permits the British manufacturer to pay more for his purchases than the true market value of the leaf, and the markup permits the Rhodesians to sell their medium and lower grades of tobacco to other countries at less than their true market value. This situation, combined with the ad valorem tobacco tariff in Common Market countries, which falls with less impact on Rhodesian leaf than on the U.S. product, will continue to have an adverse effect upon U.S. exports of flue-cured tobacco to Western Europe.

FLUE-CURED TOBACCO:
Estimated Free World Exports



U.S. flue-cured exports have remained relatively stable, while competitors have accounted for most of the gain.

CIGARETTES:
Output of Major Manufacturing Areas



World cigarette output, setting new records yearly, has a strong influence on the level of leaf tobacco trade.

Record oriental crop harvested

Production of oriental leaf—the second most important kind moving in world trade—also was at record levels in 1964. The world crop totaled 1,532 million pounds compared with 1,349 million in 1963. All major producing countries had exceptionally large harvests in 1964. Turkey's crop of 352 million was easily a record one—21 percent above that of 1963. The Greek crop was about the same as the record high of 280 million pounds for 1963, and increases were recorded for Italy, Yugoslavia, Syria, Bulgaria, and Lebanon.

The record quantities of oriental leaf available for export in late 1965 from the 1964 harvest will result in stiffer competition for U.S. cigarette leaf exports. Exports from Greece and Turkey—the largest shippers of oriental leaf—will be especially favored in the important West European market area. These two countries, as associate members of the European Economic Community, now enjoy concessional duty treatment on their leaf tobacco moving to West Germany, the Netherlands, Belgium, Luxembourg, Italy, and France.

Little change seen for burley

Burley exports from the United States have been setting records in recent years, but other burley-producing countries—particularly those that are becoming interested in burley exports—are slowly but surely achieving results in increasing the quantity available for shipment to world markets. (Such countries include Greece, Italy, Rhodesia, Zambia, Mexico, and Japan.) The United States continues to account for about 60 percent of the burley leaf entering world trade, and, with its quality advantage, it is likely that the United States will maintain its share about where it is now for some time to come.

Another important influence on the level of world trade in tobacco is the trend in cigarette output. New records in cigarette production are being established each year, but recently the upward trend has slowed somewhat because of the effects of the smoking vs. health controversy in some important consuming countries, and because of generally higher cigarette prices without corresponding rises in purchasing power. Nevertheless, world output of cigarettes in 1964 probably totaled around 2,500 billion pieces—a 50-percent rise in the past decade. It is likely that the rise in cigarette production during the next few years will be in the range of 3 to 4 percent annually.

Trade not paced to cigarette output

Annual percentage gains, however, in world cigarette output exceed percentage gains in world tobacco trade. World requirements of leaf tobacco are rising at a less rapid pace than might be expected, considering the gains in cigarette production. Therefore, prospects for world tobacco trade seem to be somewhat less promising than many concerned with the tobacco industry assume them to be.

This situation reflects a number of important developments with respect to manufacturing techniques and trends in consumer demand for tobacco products. There is a continuing growth in output of filter-tipped cigarettes, which require less tobacco per cigarette than the regular kind. Furthermore, cigarette manufacturers in many countries are finding means of using a larger portion of their supplies and discarding less than they formerly did. This permits the manufacture of a larger number of cigarettes from a given quantity of tobacco.

Also, in countries where cigarette output is showing the largest gains, both percentage-wise and on an absolute basis, there is growing dependence on domestic supplies and less demand for imported leaf.

The trend in demand for tobacco products, other than cigarettes, on a world-wide basis is generally downward. Thus, demand for imported leaf for the manufacture of these products is becoming gradually smaller, tending to offset some of the gains in demand for imported cigarette tobaccos. Nevertheless, with the upward trend in cigarette manufacture well established and expected to continue, there will be gradually increasing world trade in leaf tobacco.

Prepared in the Tobacco Division of the Foreign Agricultural Service.

Larger Food Deficits Foreseen for the United Arab Republic

Egypt's food production in the last decade has increased at about the same rate as its population has grown but this increase has not proved sufficient to meet the effective demand for food commodities.

The country's homegrown food supplies provide only 73 percent of the foodstuffs now being consumed; the remainder has been coming from imports—largely U.S. Food for Peace shipments. Because of extremely limited natural resources, it is unlikely that these food deficits can be met by increased local production. Completion of the Aswan High Dam, now scheduled for 1970, will provide some relief; however, its beneficial effects will just about equal present food shortages and will not take care of the population growth that will occur in the 5 years before the dam is finished.

Population growth, at 2.8 percent a year, is a major factor affecting the pressure on food supplies in the United Arab Republic. Furthermore, this growth rate has not only put a strain on food but has impeded overall economic progress, since a large share of all resources available for investment has had to be used merely to maintain per capita income.

Bread grain and meat deficits

Various types of food are often reported in short supply, but the situation is usually most acute for bread grains and meat. The greatest food deficits are for wheat and wheat flour. Local production, which in recent years has averaged about 1.5 million metric tons, has been supplemented annually by bread grain imports that are equivalent to 2 million tons of wheat. Within the last 5 years, these imports have been increasing at annual rates close to 200,000 tons.

Some indication of the seriousness of the meat problem is the fact that lately the slaughter and sale of meat have been restricted to 3 days each week. During 1963 some 117,000 head of livestock were purchased abroad for slaughter purposes, and though data are not yet available, it is presumed that an even larger number was imported last year. Substantial quantities of other foods are also imported, including dairy products, canned meat, vegetable oils, and sugar.

Urbanization causing shortages

The trend toward higher urbanization in the United Arab Republic has greatly expanded as a small industrialization base has been developed. This, in turn, has had considerable influence in helping to cause the current food shortages. Overcrowding and the lack of economic opportunities throughout the rural areas have promoted the migration to the cities. The urban population is now reportedly growing at a rate of 4.3 percent a year. Consequently, urban areas have become overpopulated, with the massive influx of unskilled workers seeking refuge from rural poverty and underemployment. As a result, substantially larger food imports are needed.

Inflationary pressures are also having their effects. Per capita income is currently estimated to be increasing at about 2.5 or 3 percent annually in the urban areas. This growth rate has created tangible pressure on the available food supplies at the prevailing low government-subsidized price levels.

The average Egyptian diet has shown considerable improvement. Caloric consumption has risen from 2,300 calories per person a day for 1959-61 to approximately 2,600 for 1962-64—mainly as a result of bread grain imports under the Food for Peace program. In fact, during the latter period, per capita grain consumption in the United Arab Republic was among the world's highest.

Although caloric intake for 1962-64 was above minimum nutritional levels on an average per capita basis, consumption of animal proteins was low and barely met nutritional requirements. The average Egyptian diet also remained deficient in fats and oils.

Rural families poorly fed

In spite of these improvements in the average Egyptian diet, it is obvious that for a large segment of the population it remains below the minimum level. Recent studies show that the consumption of high protein food—meat, fish, and eggs—in the urban areas, although low, is 30 to 50 percent higher than in the rural areas. Likewise, per capita consumption of fruits and vegetables—another high-quality food group—is higher in the urban areas. There are also indications that the consumption of high caloric fats and oils on a per capita basis in urban areas is twice that of rural areas.

—CLINE J. WARREN
Foreign Regional Analysis Division
Economic Research Service

USSR Buys Sizable Amount of U.S. Soybeans

The sale of 90,000 tons (about 3.4 million bu.) of U.S. soybeans to the Soviet Union was approved by the Department of Commerce January 26. Payment for the sale—$11.6 million—will be in cash.

This purchase, while small in relation to the 191 million bushels the United States exported to all countries last year, represents the first substantial buying of U.S. farm products by the Russians since last year's large transactions in wheat and rice. It does not reflect any shortage of oilseeds in the Soviet Union. On the contrary, a record crop of sunflowers and a near-record one of cotton were reported in 1964; and these two crops account respectively for about 70 and 20 percent of the USSR's commercial vegetable oil production. The country is a net exporter of oilseeds and vegetable oil and will undoubtedly remain so during the current processing year.

These imports might, however, reflect a regional soybean oil shortage and idle crushing capacity in the Soviet Far East, where most of the Soviet Union's own small crop is produced. Three large oilmills there used to process this domestic crop and also soybeans imported from Mainland China before that trade ceased in 1961. The Soviets have not reached their announced goal of supplying these mills from domestic production, and soybean oil output has plummeted in recent years. The 1964 soybean crop in the Soviet Union was reported very poor. The USDA oilseeds and feed-grains delegation that visited the country last fall was told that production had been adversely affected by excessive rains during the harvesting season in August and September. While there are no official USSR statistics, production of soybeans in recent years has been estimated at about 10 million bushels, providing about 1 percent of the country's vegetable oil production.

The Republic of South Africa Launches Tea Industry

The Republic of South Africa—a large importer of high-quality tea—is attempting to save on foreign exchange by building up a sizable tea industry of its own.

In August 1963, Sapekoe (Pty) Limited—a subsidiary of the Industrial Development Corporation of South Africa—started work on a tea project in the Tzaneen area of the Northeastern Transvaal. This agency is to finance and develop crops that are beyond the means of small farmers. If its plantings are successful, the company may be able to induce farmers in the surrounding area to participate in tea production, with the help and advice of the company.

Sapekoe (pekoe is a Chinese word for tea) envisages an initial planting of some 2,400 acres of field tea on its plantation. There will also probably be enough planting material for another 2,400 acres to be grown by small farmers in the area, making a possible total of 4,800 under the control of this organization.

In another part of the Eastern Transvaal, the Central Tea Corporation is undertaking a similar project; its plans are to put 1,200 acres in tea.

An industry revived

Production of tea is not new to South Africa; it was tried at the first of the century, when production in 1 year—1903—reached 2.7 million pounds. It was abandoned, however, probably because other crops became more profitable and because of the lack of financial support—a necessity for this high-cost industry, which is usually undertaken by corporation farms or large plantations.

The industry of today apparently has been able to win back the financiers' confidence. The Sapekoe project alone calls for an initial outlay of between $4.2 million and $5.6 million, including the cost of two factories at about $350,000 each. Should a sufficient number of small growers par-

Above, a homemaker selects beverages from shelf displaying a wide range of tea and coffee brands. Right, cleared area for field tea.

Left, a high-quality Assam-type field tea on the Sapekoe estate, and below, tea seedlings are being grown under cover. Pictures courtesy of South African Information Service.

ticipate to bring the area up to 4,800 acres, two more factories will be needed in the Tzaneen region. In addition, the current project has extensive planning back of it—2½ years of study by the South African Department of Agricultural Technical Services and consultation with men from other countries who have had success in tea growing.

Officials hope that tea production will spread to other areas of South Africa as its benefits become more apparent.

More employment available

One of these benefits is that the industry will provide employment for more African laborers. It is estimated that employment will be created for about 24,000 Africans if sufficient tea can be produced to meet the Republic's tea requirements. (Sapekoe is now hiring about 900 Africans and with full development of its scheme will employ about 1,700.)

Even more important, the scheme could mean a substantial saving of foreign exchange, as each year the Republic forks out a large sum for this largest of its agricultural imports. In 1963, this expenditure amounted to about $21 million for 18,000 short tons of tea from Ceylon, India, and East Africa.

South Africa today has an annual per capita tea consumption of about 900 cups, and, as a side result, a high consumption of milk and sugar for use in this tea. About 80 pounds of sugar—a big crop in South Africa—is being consumed annually per person.

Long a South African favorite

Tea was introduced into South Africa in 1648, when the tea-laden Dutch ship, the Haarlem, ran into a storm on rounding the Cape of Good Hope and was driven upon the shore in Table Bay, Capetown. In following years, the Cape colony became a halfway provisioning station for ships sailing between Holland and the East Indies, and settlers in the Cape were assured a regular supply of good tea from these ships on their return trips from the Far East.

By 1750, tea consumption had become widespread, and tea importing was a flourishing business in the Cape. Only during the pioneer trek to the North did coffee take precedence over tea, and this change was because tea could not be produced in the hinterland. Today, however, the trend is toward tea, and its consumption exceeds that of coffee.

—EDWARD J. BELL
U.S. Agricultural Attaché, Pretoria

Russian Youth Found To Prefer City to Farm

How to keep the youth on the farm is a growing problem in the Soviet Union, according to a November 21, 1964, article in *Izvestiya*.

Basis for the article was a survey by several *Izvestiya* correspondents on the future plans of 430 youths graduating from five schools in rural Pochinkow district. Here is how the youths proposed to begin their self-dependent life:

	Number
Remain and work on the collective farm	27
Go to a school, technical college, or higher educational institute related to agriculture	56
Go to work in (industrial) production	31
Enter a nonagricultural technical college or technical higher educational institute	102
Enter a university, teaching or medical institute, or other scholarly establishment	124
Continue education, but haven't selected specialty	90
	430

Less than 20 percent of them choose to remain in agriculture, and it was found that of the students that had graduated 2 years earlier, four-fifths had left their farms for the cities.

The leaving of the farm for the city is a normal trend in developed countries (including the United States), but in the Soviet Union it is apparently considered to be at too heavy a rate to serve the interests of either the city or the country. Whereas farm population in the United States is a relatively small share of the total (8 percent on Jan. 1, 1964), that in the Soviet Union constitutes not far from half of the country's total.

Thus, if the entire farm area had as rapid a rate of outflow as Pochinkow, the urban areas, with their housing shortages, would have difficulty accommodating this increase. Furthermore, the drain of rural abilities and manpower is apparently considered too great for maintenance of the current level of agricultural productivity in the Soviet Union.

Reasons given by the youths for wanting to leave the farm were numerous. They included boredom, low earnings, and poor working conditions. Also cited were inconveniences arising from a low level of living (uncomfortable houses, poor roads, lack of stores) and a deficient cultural life (either no clubs or poor ones, no amateur stages, few books in the library, infrequent and poor movies, and lack of a chance to participate in sports).

These reasons give an insight into the realities of life in the rural areas of the Soviet Union and the differences between the realities and the desires of a new generation of Russian young people.

Sweden Cuts Taxes on Certain Farm Imports

Sweden, for the year 1965, has lowered import taxes for some relatively minor agricultural and food products that are subject to the EFTA (European Free Trade Area) Convention: ice cream, egg albumen, dextrine, and certain starch products. The 10-percent reduction brings import taxes on these products to approximately 30 percent of the pre-EFTA level.

A corresponding reduction was also made in the tariffs on tobacco products originating from the EFTA, but thus far these reductions have not caused any visible change in the sources of supply of tobacco products, or significantly changed the ratio between imported and Swedish-produced cigarettes.

Most agricultural products are not subject to the EFTA Convention, and imports from all sources are governed by the domestic agricultural price and market program. This program expires on September 1, 1965, but with some minor modifications will be continued for another year. No reduction in farm subsidies is expected this budget year.

First U.S. Seed Show at Tokyo Trade Center Kicks Off Major Promotional Effort in Japan

The first large-scale promotion of U.S. seeds in Japan—considered by the U.S. seed industry as its fastest growing world market today—will be launched August 16-27 at the U.S. Trade Center, Tokyo, with exhibits and seminars designed to boost U.S. exports of all types of seeds to Japan.

The American Seed Trade Association will cooperate with the USDA's Foreign Agricultural Service in sponsoring the exhibit, which includes seed seminars to be held twice daily during the 9-day show. Seminar papers will be presented by leading U.S. and Japanese experts on all aspects of seed production, processing, and handling and cultural practices.

The exhibit offers U.S. seed companies an opportunity to display and promote their products to Japanese firms interested in purchasing U.S. grass, legume, flower, vegetable, forage corn, and forage sorghum seeds. To be eligible for display, the seed must be U.S.-produced or multiplied commercially in the United States.

Exhibit space at the Center during the show will be available without charge, but every participating U.S. firm will be expected to pay the cost of transporting its products and of having either a U.S. representative or Japanese agent of the firm on hand during the exhibit.

Broad-gaged trade attendance

Admission to the Center will be by invitation to the trade only. Among those expected to be invited to the show will be college and central and prefectural government research personnel engaged in pasture improvement work, plus producer organizations, importers, wholesalers, and all other handlers of imported seeds and allied lines. A listing of these persons is maintained by the Trade Center staff. In addition, any participating U.S. firm may supply names of firms it wishes invited.

Expected to further broaden the show's impact will be invitations extended to individuals, firms, and institutions throughout the entire Asian area by the Foreign Agricultural Service through U.S. embassies and legations.

According to U.S. seed industry officials, Japan's quality seed requirements will one day make it the United States' top world customer for all types of pasture and forage seeds.

Third-largest U.S. seed market

Already the United States' third largest export market for forage seeds, Japan in fiscal year 1964 took $1.7 million worth of U.S. field, forage, and garden seeds—more than double the total of 5 years earlier.

Prospects for continued expansion of this market appear excellent. The Japanese Government has announced its intentions of doubling livestock production by 1971— an achievement which will require increasing quantities of high-grade commercial seeds for improving pastures. Target acreage in improved pastures has been set officially at nearly 2.5 million acres by 1971—a fourfold increase over 1964 figures.

The U.S. seed industry and FAS advise those firms interested in receiving detailed information on the exhibit and copies of official participation agreements to write to H. W. Walcott, American Seed Trade Association, Inc., Southern Building, Suite 803, Washington, D.C. 20005.

AID's Use of Barter Up in First Half Fiscal '65

Eight barter contracts valued at over $14.5 million were negotiated by the U.S. Department of Agriculture for the Agency for International Development between July and December of fiscal year 1965. This exceeds the total number and dollar value of such contracts signed during the entire fiscal year 1964. The increase is largely attributed to growing use by AID's overseas missions of the barter program and to the development of improved procedural techniques for implementing barter procurements.

AID authorizes offshore procurement of materials through barter when the items being acquired are U.S. "net importer" items for which cash procurements, even in the United States, can be expected to adversely affect the U.S. balance of payments by causing increased commercial purchases abroad. AID materials acquired under barter so far have come principally from developing countries of the Free World, thus contributing to the economic activity of these countries.

Individual barter contracts for AID have resulted in the exchange of agricultural commodities for cement for use in South Vietnam, some of which was earmarked for use in counter-insurgency actions; zinc for the Republic of Korea; petroleum products for Mali and Tunisia; raw cane sugar for Tunisia; and refined sugar for Guinea.

The South Vietnam cement barter was handled this way. The AID Mission, Saigon, on behalf of the Government of Vietnam transmitted a request for cement to AID, Washington, D.C. Cement being a U.S. net importer item, AID, Washington, issued a purchase authorization for barter procurement to the Office of Barter and Stockpiling, USDA. The USDA in turn invited U.S. firms to submit offers for supplying the cement to Vietnam from eligible foreign sources and accepting agricultural commodities in payment.

While these procurements are conducted on behalf of AID, the barter contractors are responsible to the USDA for all aspects of the contract, including the acquisition and delivery of cement to Vietnam and the procurement and exportation of agricultural commodities to eligible world markets.

Under this contract, over 21 million pounds of vegetable oils from free-market stocks were exported to Burma, a country which has not been a traditional vegetable oil importer. This was the first export resulting from the recent decision to make free-market stocks of vegetable oils eligible for barter as a means of developing additional U.S. markets.—C. MILTON ANDERSON

Barter and Stockpiling, FAS

U.S. Wheat Foods Exhibit Caps Consumer Promotion Campaign in Taiwan

Doughnut machine fascinates Taiwanese

The first big consumer promotion for wheat foods in Taiwan—held in the U.S. Flour Products Hall exhibit at Taiwan's recent Economic Development Exposition—climaxed a 6-month effort by Wheat Associates, FAS, and the Taiwan Wheat Products Promotion Council to step up purchases of these foods by the island's 12 million people. Previous promotion, which began 3 years ago, concentrated on technical services and market analysis.

The most popular feature of the U.S. Flour Hall was doughnuts—introduced to Taiwanese as "dough-fuping" or cake of many blessings. Approximately 25,000 doughnuts a week were sold during the Exposition's 13-week run; it was the first time many of the customers had tasted U.S.-style doughnuts or seen an automatic doughnut machine in operation.

Cooking and sampling sessions of noodles and steamed bread also drew big crowds—estimated at over 1.5 million at midpoint during the Exposition. A good many of those attending received specially adapted recipes for the U.S. foods demonstrated.

Wheat foods promotion at the Exposition—first of its kind in Taiwan—is particularly timely since the island's greatly strengthened economy is affording increased opportunity for dollar wheat sales; in fact, plans now call for 1965 to be the last year of sales under Title I of P.L. 480.

In 1965, the United States plans to reduce its Title I programming of wheat to Taiwan from an earlier average of 280,000 metric tons to 215,000 tons; the remainder is to be made up of a global requirement of 65,000 tons and a replacement quota of 40,000 tons to come from the United States for dollars.

In 1966, it is expected wheat sales under P.L. 480 will be shifted to long-term dollar credit under Title IV (225,000 tons), and regular dollar sales. After 1966, no government-programed concessional wheat deliveries are anticipated; it is hoped that all Taiwan's wheat needs will be supplied through commercial channels.

Exports of U.S. Dairy Cattle Reach Record Heights in 1964

Foreign sales of U.S. dairy cattle reached a new high of 14,800 head in the year just ended. They exceeded the previous record set in 1961 by 1,444 head and 1963 exports by 2,535.

Holsteins topped the list (10,412 head, 80 short of the alltime high), followed by Brown Swiss (2,729, a new record), Guernseys (944), and Ayrshires (106).

Also a new high, U.S. dairy cattle went to 40 countries in 1964, compared with 35 the year before. Many sales can be attributed to intensive promotion by the U.S. dairy industry.

In Latin America, again the best market, U.S. dairy marketing specialists judged cattle at livestock exhibitions and assisted local producers in improving their breeding programs.

Sales to Mexico, by far the top buyer with 6,454 head, were down 2,800 head from 1963, but a sizable increase in registered sales kept the export value from declining. Under a ruling that stemmed in large part from U.S. market development efforts, Mexico for the first time in 1964 prohibited the import of other than registered cattle except by special permit.

Second-ranking market with 2,059 head was Venezuela, where the market development emphasis has been on convincing breeders of the advantages of registered cattle over locally grown crossbreds.

Promotion was also instrumental in expanding sales to 12 countries outside Latin America and Canada—which totaled 2,345 head, 6 percent more than in 1963.

Exchange visits of U.S. and Italian breed association officials since 1959 paid off in record sales of 1,245 head to Italy, making it the biggest buyer in Western Europe.

Exports of 891 head to Korea, No. 1 buyer in Asia, resulted in part from servicing trips to that country by U.S. marketing specialists and visits to this country by Korean buyers. The advantages of U.S. cattle were also promoted through a demonstration herd set up in Korea 5 years ago.

Britain Acts To Alleviate Trade Problems

The United Kingdom on January 27 again acted to better its trade position, this time by setting up a Commonwealth Exports Council and by making financing available, at a fixed 5½ percent, for more export projects. This followed on the announcement that Britain's 1964 imports were more than $2.8 billion above exports.

In the fall of 1964, Great Britain began a program to ease its balance-of-payments problems, with the introduction of a 15-percent surcharge on all imports except foodstuffs, unmanufactured tobacco, and basic raw materials.

Ghana's Cocoa Exports Smaller

Exports of cocoa beans from Ghana—the world's largest producer—totaled 381,506 long tons during 1964, compared with 404,190 in the previous year. The decline is attributed to suspension of sales in mid-October, as ordered by the Cocoa Producers Alliance, which resulted in sharply curtailed exports during November and December. Despite the smaller shipments, exports to the United States—Ghana's largest customer—were up sharply from 1963.

U.S. Cocoa Bean Grind Up

Grindings of cocoa beans in the United States—the world's largest cocoa processor—totaled 587.6 million pounds during 1964, 4.1 million over the previous year's. Large fourth-quarter grindings, at 161.5 million pounds, were responsible for the increase.

Ecuador's Cocoa Exports Down

Because of a small 1963-64 harvest, Ecuador's cocoa bean exports during 1964 were reduced to 26,821 metric tons, 24 percent below the previous year and the lowest since 1958. Shipments to European markets declined 15 percent, and takings by the United States at 7,706 tons, were less than one-half of the 1963 level. However, exports to Colombia continued to increase—8,694 tons, compared with 5,729 in 1963.

El Salvador's Sugar Production Increases

Production of sugar (raw-value basis) in El Salvador during the 1964-65 season is now expected to amount to 120,000 short tons. This would be an increase of 67 percent over the previous year.

The upturn in production is primarily due to a marked increase in the acreage planted to cane as a result of high world prices in 1963 and early 1964. Some increases in cane yield and more efficient milling are also expected to contribute to higher production. If this larger production should materialize, there will be about 55,000 tons of sugar available for export during the present calendar year.

West Germany's Cheese Imports Up From 1963

West Germany imported 216 million pounds of cheese in the first 9 months of 1964, 9 million more than in the same months of 1963. Although the Netherlands continued to be the major source, supplying 75 million pounds, shipments were smaller than in 1963 by 18 percent. Purchases from France rose from 21 million pounds to more than 40 million, and those from Denmark rose from 63 million to 68 million. Most of the other supplying countries shipped slightly larger quantities in the 1964 period.

Imports of butter were up 3 percent to 35 million pounds. Purchases from France, the principal supplier, rose only slightly, to 13 million pounds. However, imports from New Zealand increased from 3 million pounds to 6 million, and those from the United States, from 376,000 to 4 million. Trade with most other suppliers was below the 1963 level.

Canadian Government To Buy Eggs

Canada's Department of Agriculture is going to buy 9 million eggs to bolster the sagging domestic market. The eggs will be processed and contributed to the World Food Program in the form of about 250,000 pounds of powdered whole eggs.

The Department's Agricultural Products Board has asked for initial tenders on whole eggs and for tenders from egg powdering plants to process and package them in powdered form. It has been estimated that the cost to the government will be about Can$1.25 a pound, or a total expenditure of Can$312,500.

The federal government currently supports Grade A large, extra-large, and medium eggs at 34 Canadian cents a dozen to producers on a national average basis. For the week ended January 9, the average price was 24.9 Canadian cents across the nation. Last week in Winnipeg, the price to producers was 16 cents a dozen—believed to be near a record low.

The Agricultural Products Board began on January 28 to buy from Canadian producers about 5,000 (30 doz.) cases of shell eggs per week for 5 weeks. Agriculture Minister Harry Hays said he hopes this will lend stability to the domestic market.

Canada announced at the United Nations General Assembly in December that it had decided to make a further contribution of Can$2 million to its original pledge of Can$5.4 million to the World Food Program.

Ecuador Produces More Cigarettes

Cigarette output in Ecuador during the first 7 months of 1964 totaled 426 million pieces—up 6.2 percent from the 401 million produced in January-July 1963. Production for calendar 1964 probably came close to 775 million pieces, compared with 729 million in 1963, but it was still slightly under the 1951 record of 782 million.

Swiss Cigarette Output Up

Swiss cigarette output during the first 9 months of 1964 totaled 11.5 billion pieces—up 3.1 percent from the 11.1 billion produced in January-September 1963. Output for 1964 probably approximated 15.8 billion pieces, compared with 15.3 billion in 1963.

Canadian Tobacco Exports Rise

Canada's exports of unmanufactured tobacco during the first 9 months of 1964 totaled 48.8 million pounds—30 percent above the 37.6 million for the same period of 1963. Larger shipments to the United Kingdom, West Germany, and Denmark accounted for part of the increase. Exports to the Soviet Union, Czechoslovakia, and Japan—which took no Canadian leaf in 1963—further boosted the total.

Shipments to the United Kingdom were 33.4 million pounds in January-September 1964, compared with 29.4 million in the same period last year. Exports to West Germany were 3.8 million compared with 3.4 million, and those to Denmark, 1 million against 0.5 million. A total of 3.7 million pounds of leaf went to the Soviet Union and Czechoslovakia in January-September 1964.

Flue-cured tobacco exports, at 45.9 million pounds, represented 94 percent of total exports in the January-September 1964 period. Burley, at 2.6 million, accounted for most of the remainder.

CANADIAN EXPORTS OF UNMANUFACTURED TOBACCO

Destination	January-September		
	1962	1963	1964
	1,000 pounds	*1,000 pounds*	*1,000 pounds*
United Kingdom	34,746	29,355	33,356
Germany, West	4,535	3,412	3,772
Soviet Union	---	---	2,712
Japan	---	---	1,471
Denmark	129	544	1,043
Czechoslovakia	---	---	1,000
Belgium	491	700	877
Netherlands	1,271	940	796
United States	1,427	399	554
Hong Kong	167	244	461
Australia	793	450	317
Malaysia	19	143	273
Ghana	---	---	241
Jamaica	564	410	144
Others	1,526	1,049	1,748
Total	45,668	37,646	48,765

British Cigarette Exports Decline

Exports of cigarettes from the United Kingdom during January-October 1964 totaled 18.8 million pounds—down 15 percent from the 22.1 million shipped out in the same 1963 period. Smaller shipments to Aden, Malaysia, Jamaica, France, West Germany, the Sudan, and Kuwait more than offset increases to Australia, Gibraltar, the Netherlands, Cyprus, Malta, Libya, the Canary Islands, and Japan.

British imports of cigarettes rose from 755,000 pounds in January-October 1963 to 916,000 in the same 1964 period. The United States supplied 641,000 pounds—70 percent of total cigarette imports.

Tunisia's Olive Oil Exports

Tunisian exports of edible olive oil during November 1 through December 22 of the 1964-65 marketing year totaled 8,199 metric tons. In the same periods of 1963-64 and 1962-63, exports were 4,042 and 3,834 tons, respectively.

Major destinations for exports in the first 7½ weeks of the marketing year were France 5,240 tons, Czechoslovakia 1,189, Poland 880, Russia 639, Italy 116, and Bulgaria 114.

Total exports of edible olive oil from Tunisia are expected to approximate 40,000 tons in 1964-65.

Lebanon Revokes Olive Oil Export Restrictions

According to official decree No. 676/1 published in the Lebanese Official Gazette on December 10, 1964, tariff item 15-07b3, covering olive oil exports, has been removed from the list of products requiring export licenses.

This action was taken to comply with the request of Lebanese olive oil producers who complained that the process of obtaining export licenses involved complicated formalities, while olive oil imports into Lebanon involved no restrictions.

Olive oil exports from Lebanon are expected to be rather small in 1965, as the 1964-65 outturn—currently estimated at 6,800 metric tons—is the smallest since 1959-60.

Philippine Desiccated Coconut Exports

Registered shipments of desiccated coconut from the Philippine Republic in 1964 totaled 68,533 short tons, a decrease of 7 percent from those of the previous year. Shipments to the United States, the market for about 85 percent of total exports in the last 3 years, also were down 7 percent.

PHILIPPINES REGISTERED EXPORTS OF DESSICATED COCONUT

Destination	1962	1963	1964[1]
	Short tons	*Short tons*	*Short tons*
United States	57,123	60,955	56,456
Canada	1,062	3,048	3,553
Germany, West	1,674	2,639	936
Denmark	320	636	499
Netherlands	363	568	520
Australia	2,762	3,549	4,223
New Zealand	391	254	552
Others	2,220	2,008	1,794
Total	65,915	73,657	68,533

[1] Preliminary.
Associated Steamship Lines, Manila.

Argentine Flaxseed Output Exceeds Expectations

The second official estimate places Argentina's 1964-65 flaxseed crop at 30.5 million bushels, 14 percent above the first estimate of 26.8 million and slightly above the 30.4 million produced in 1963-64 (*Foreign Agriculture*, Dec. 28, 1964). Sown area, at 2.8 million acres (revised), was almost one-fifth less than a year earlier, but per-acre yields reportedly are much higher than had been expected.

The Argentine Grain Board sold approximately 15,000 metric tons of linseed oil to exporters in mid-January at between 24.50 and 25.05 pesos per kilogram (7.4 and 7.5 U.S. cents per lb., respectively, at the rate of 151 pesos to US$1). This was below the Board's purchase price of 25.50 pesos (7.7 U.S. cents). The Board had previously sold 10,000 tons to Russia for December shipment and 2,000 tons to other destinations.

Board stocks remaining to be sold at mid-January included about 15,900 tons of linseed oil and 5,600 of flaxseed. Only 100 tons of flaxseed had been purchased from the new crop as market prices had been slightly above the support level of 1,200 pesos per quintal. As of mid-January, there was no support price for oil produced from the new crop.

Nigeria's Peanut Production Below Earlier Forecasts

Peanut purchases by the Nigerian Marketing Boards for crushing and export as of December 24, 1964—the end of the sixth week of the 1964-65 season—were 515,307 long tons (shelled basis). This was 4 percent less than purchases of 537,758 tons in the same period a year earlier.

While estimates still vary widely as to the size of the 1964 outturn, it now appears that production will be far short of earlier expectations. In fact, indications are that production may not reach the 787,000 tons purchased from the 1963 crop.

Transportation facilities from the interior reportedly have been improved since last summer. Consequently, even though production is below earlier forecasts, the movement of available supplies should not be as great a problem as had been anticipated.

Philippine Copra, Coconut Oil Export Data

Registered exports of copra and coconut oil from the Philippine Republic in 1964 (oil-equivalent basis) have been revised to 743,187 long tons (*Foreign Agriculture*, Jan. 25). Coconut oil exports rose 7 percent to 226,372 tons. Shipments to the United States should read 182,736.

Japanese Feed Industry To Import U.S. Soybean Meal

Against the opposition of oilseed crushers, the Japanese feed industry requested and received the approval for imports of 15,000 metric tons of U.S. soybean meal for feed purposes. The Livestock Bureau and the Ministry of Agriculture and Forestry had hoped the shipments might be made in February. However, it is reported that shipments will not take place until April.

Australian Meat Shipments to the United States

Four ships left Australia during the latter part of December with 4,276,160 pounds of beef, 492,800 pounds of mutton, and 127,680 pounds of lamb for the United States.

Ship and sailing date	Destination [1]	Arrival date	Cargo	Quantity
	Western ports			*Pounds*
Parakoola ---------- Dec. 23	Los Angeles	Jan. 11	Beef	284,480
			Mutton	112,000
	San Francisco	15	Beef	398,720
			Button	33,600
	Seattle	25	Beef	96,320
Mariposa ---------- Dec. 24	San Francisco	10	Beef	78,400
Ventura ---------- Dec. 24	Los Angeles	10	Beef	320,320
			Mutton	112,000
	San Francisco	14	Beef	300,160
			Mutton	60,480
	Seattle	18	Beef	91,840
	Portland	25	Beef	134,400
	Eastern ports			
Nottingham ---------- Dec. 24	Charleston	Jan. 20	Beef	154,560
			Mutton	33,600
	Norfolk	21	Beef	246,400
	Philadelphia	24	Beef	327,040
			Mutton	29,120
			Lamb	127,680
	Boston	28	Beef	806,400
	New York	29	Beef	1,037,120
			Mutton	112,000

[1] Cities listed indicate location of purchaser and usually the port of arrival and distribution area, but meat may be diverted to other areas for sale.

United Kingdom Ups Bacon Import Minimums

Increased bacon import levels were recently announced by the United Kingdom for the April-March 1965-66 marketing year. The minimum total quantity to be imported by the United Kingdom in the coming season was set at 620,600 long tons, up 5,600 tons from the current season.

Minimum import allocations for the 12 months beginning April 1, 1965, for the eight countries participating in the Bacon Market Understanding, with 1964-65 comparison in parentheses, are as follows: 224,500 long tons to be supplied by U.K. domestic production (222,400), Denmark 289,200 (286,500), Poland 49,000 (48,500), Sweden 10,600 (10,300), Ireland 27,000 (same), Netherlands 13,000 (same), Yugoslavia 5,000 (same), and Hungary 2,300 (same).

In addition, the "reserve supply" has been increased by 10,000 tons to 35,000 from the 1964-65 level. Increased "reserves" are intended to alert supplying countries to the possibility that substantial additional allocations may be required to fill demand in the United Kingdom.

The objective of the Bacon Market Understanding, first implemented April 1, 1964, is to assure an adequate supply of bacon at reasonable prices (*Foreign Agriculture*, Nov. 25, 1963).

The United States has not been a traditional supplier of bacon to the United Kingdom owing to uncompetitive price levels and to the hog cholera situation.

Australian Canned Fruit Opening Prices

Minimum prices for Australia's canned deciduous fruit pack were announced on January 12. These prices, as reported in the London press, are generally the same as those that prevailed for virtually all of the 1964 season, including the close. The 1965 prices, also reported in the press, are compared with the prevailing 1964 prices below. Prices are per dozen 2½'s, c.i.f. U.K. port.

Type	Fancy	Choice	Standard
Apricots, halves:	*U.S. dol.*	*U.S. dol.*	*U.S. dol.*
1964	3.43	3.22	3.08
1965	3.43	3.22	3.08
Peaches:			
Clingstones, halves and slices:			
1964	3.43	3.22	3.08
1965	3.43	3.22	3.08
Freestones, halves and slices:			
1964	3.08	2.87	2.73
1965	3.08	2.87	2.73
Pears (Bartletts), halves and quarters:			
1964	3.57	3.36	3.22
1965	3.57	3.36	3.22
Fruit cocktail:			
1964	4.06	3.85	3.71
1965	3.92	3.64	3.57
Two-fruit (peaches and pears):			
1964	3.43	3.22	3.08
1965	3.43	3.22	3.08

Argentine Lentil Production Increases

The current lentil harvest in Argentina is unofficially estimated at 13,000 metric tons, compared with 11,800 last season and 12,050 in 1962-63

Lentil exports for January-November 1964, totaled 467 tons, against 2,470 and 5,229 in the same periods of 1963 and 1962, respectively.

More than 90 percent of the exports in calendar 1962

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and 1963 went to Brazil, the Netherlands, and Germany, as shown in the following tabulation.

	1962 *Metric tons*	1963 *Metric tons*
Brazil	1,700	1,259
Netherlands	2,767	683
Germany	773	515
Others	101	238
Total calendar year	5,341	2,695

El Salvador Expects Record Cotton Crop

The 1964-65 cotton harvest in El Salvador is progressing normally, and the outlook is for a record production of about 400,000 bales (480 lb. net). This would be 19 percent above the 335,000 bales produced in 1963-64.

The higher production for 1964-65 is attributed to a slight increase in acreage, continued improvement in cultural practices, and favorable weather during the growing season. The quality of the current crop is reported to be higher than a year ago, when unfavorable weather caused considerable damage to the 1963-64 crop.

A record 275,000 acres were planted to cotton this season, compared with 260,000 in 1963-64 and the 1955-59 average of 107,000. Indications are that this season's national yield will reach about 700 pounds of lint per acre, one of the highest in the world for nonirrigated cotton.

Cotton consumption in El Salvador is expected to reach 40,000 bales in 1964-65, 14 percent above the 35,000 consumed in 1963-64. Increasing quantities of textiles are being exported to other members of CAFTA (Central American Free Trade Association). Local demand for cotton textiles is also increasing in line with population growth and rising consumer income.

Cotton exports from El Salvador in the 1963-64 season amounted to 304,000 bales, 277,000 of which went to Japan. This compares with total exports of 292,000 bales in 1962-63. The high quality of the current crop should insure an active inquiry for El Salvadoran cotton, and exports in the current season could exceed 350,000 bales.

In the August-November period of 1964, 48,000 bales were exported, 70 percent of which was destined for Japan. In the 1963 period, 21,000 bales were exported.

Stocks on hand at the end of the 1963-64 season were estimated at 50,000 bales. If this season's export volume reaches 350,000 bales, stocks next August 1 should remain at around 50,000.

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